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Wealth News
consumer sense

Information from First Community and CFS* to help keep your financial life in balance | *August 2018*

Interested in Learning More?

I specialize in helping people maintain a healthy financial balance and discover smart money strategies. Call to set up an appointment to review your investment objectives, and to discuss any questions you might have. I look forward to speaking with you!

Meet our CFS Representative

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Do you have a topic you'd like to see covered in future Wealth News newsletters?
Email your questions and comments to me at:
john.nicolaus@firstccu.org

Have You Read…

Retirement Plan Basics: A Guide for Qualified Plans
by Stephen Abramson

Source:
http://www.ebri.org/

Taking Advantage of Employer-Sponsored Retirement Plans

Employer-sponsored qualified retirement plans such as 401(k)s are some of the most powerful retirement savings tools available. If your employer offers such a plan and you're not participating in it, you should be. Once you're participating in a plan, try to take full advantage the benefits offered.

Understand the Plan

Before participating, be sure to fully understand how the plan works. Read everything you can about the plan and talk to your employer's benefits officer. You can also talk to a financial planner, or a tax advisor. Some key features that many plans share are: automatic payroll deduction of contributions, flexibility as to the amount of salary deducted up to the legal limit, income tax deferral on contributions made to the plan, and protection of plan assets from creditor claims to satisfy your debts.

Contribute as Much as Possible

Why put your retirement dollars in your employer's plan instead of somewhere else? One reason is that the pretax contributions to your employer's plan lower your taxable income for the year. This means you save money in taxes when you contribute to the plan--a big advantage if you're in a high tax. Participations also allows you to tap into the power of tax-deferred growth. Your investment earnings compound year after year and aren't taxable as long as they remain in the plan. Over the long term, this gives you the opportunity to build an impressive sum in your employer's plan.

Know Your Options

When you leave your job, your vested balance in your former employer's retirement plan is yours to keep. You have several options at that point, including taking a lump-sum distribution. This is often a bad idea, because you'll pay income taxes and possibly a penalty on the amount you withdraw. Plus, you're giving up continued tax-deferred growth. You can leave your funds in the old plan, which may be a good idea if you're happy with the plan's investments or you need time to decide what to do with your money. You can roll your funds over to an IRA or a new employer's plan if the plan accepts rollovers. This is often a smart move because there will be no income taxes or penalties if you do the rollover properly.

Who Can Help Me?

Employer sponsored plans can be complicated to understand. Here at your local credit union, there is a financial advisor who can help make sure you have a full comprehension of what your plan offers and how it benefits you in retirement. To learn more about working with a financial advisor, contact your credit union.

To schedule a complimentary consultation with John Nicolaus, ask a branch representative or visit our website at myfirstccu.org.